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**Top Secret**



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# National Intelligence Daily (Cable)

27 February 1979

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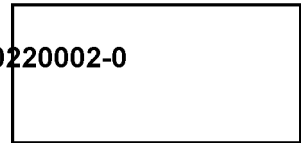
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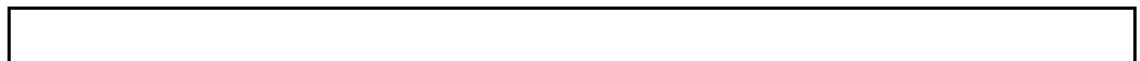
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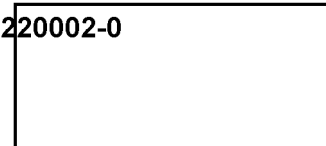
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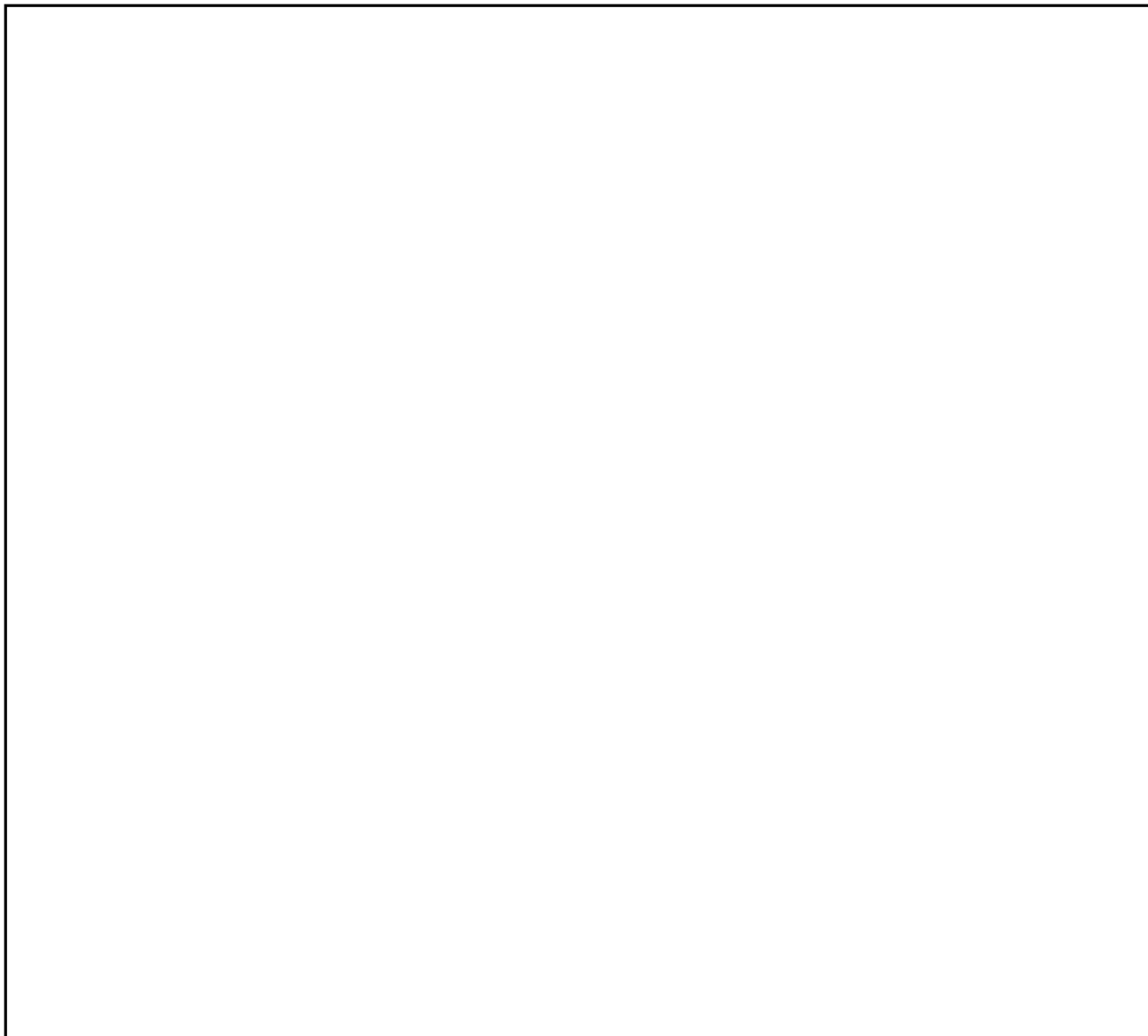
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SITUATION REPORT

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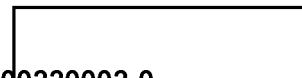
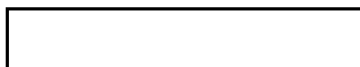
CHINA-VIETNAM-USSR



Vice Premier Deng Xiaoping told a Japanese journalist yesterday that China would "wholeheartedly welcome" a UN proposal under consideration calling for a Chinese withdrawal from Vietnam as well as a pullout of Vietnamese

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troops from Kampuchea. Both Vietnam and the Soviet Union have opposed the linkage of the two questions, and an implied Soviet veto of such a UN Security Council resolution has stalled discussions there. Deng reiterated Beijing's position on the limited nature of the Chinese action, estimating that the fighting might end "in about 10 days, or perhaps a few days more." He also implied strongly that a Chinese withdrawal was in no way dependent upon the Kampuchean situation. [REDACTED]

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A Chinese Embassy official in Moscow reported Sunday that, despite Soviet anger at the Chinese invasion, some "normal" diplomatic interaction was still taking place. Most importantly, the Sino-Soviet border river navigation talks began on schedule in Blagoveschensk on 20 February, four days after the outbreak of fighting. The talks were expected to last about a week. [REDACTED]

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In an editorial in *Peoples Daily* yesterday, China reiterated its earlier call for negotiations with Vietnam over their border dispute. The editorial repeated China's earlier assurance that it does not want "one inch" of Vietnamese territory and will pull back Chinese forces when Vietnam has been punished "as far as is necessary." In an evident move to increase pressure on the Vietnamese, however, the editorial insisted that the "border conflict between China and Vietnam can only be settled through negotiations between the two sides. There is no other way out." It is still not clear what the Chinese envisage would be the substances of the negotiations they propose or how they expect the negotiations to begin. [REDACTED]

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#### Soviet Response

In an election speech yesterday in Minsk, Soviet Foreign Minister Gromyko condemned Chinese "aggression" against Vietnam and repeated for apparent emphasis that portion of his prepared text that warned Beijing "to stop before it is too late." Gromyko, however, did not specify any Soviet action if China did not stop its activity. [REDACTED]

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Gromyko, in contrast to some of his Politburo colleagues, did not refer to US "connivance" with China. Rather, he took the more restrained position that the

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Chinese are seeking "to set the Soviet Union and the United States at loggerheads." Gromyko's remarks suggest a desire to limit as much as possible the damage that the Vietnam situation might do to Soviet-US relations. He said that the Soviets seek "more stable relations" with the US and that the SALT negotiations "can be successfully brought to an end shortly" if the US does not "put up obstacles." [REDACTED]

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The *Pravda* account of Defense Minister Ustinov's election speech last Friday edited out his remarks to the effect that the Soviet Government statement of 18 February "was a major political document" containing a "serious warning" to the Chinese, although Soviet media have given unusual play to a Yugoslav press report that said "no one in Moscow doubts that the USSR may at any moment provide Vietnam with military aid." [REDACTED]

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The Vietnamese announced yesterday that I. A. Rogachev, Chief of the Southeast Department of the Soviet Foreign Ministry, has been in Hanoi since 23 February and had met with a Vietnamese Vice Minister of Foreign Affairs to discuss "problems of common concern." Rogachev is new on this job [REDACTED]

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## BRIEFS AND COMMENTS

### NORTH YEMEN - SOUTH YEMEN: Border Situation

*//Aden radio claimed yesterday that troops of the National Democratic Front--the South Yemeni supported coalition of northern dissidents that appears to be doing much of the fighting--had taken Harib. We cannot confirm the Aden report.//* [REDACTED]

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The military situation is unclear. Reports from both capitals indicate that fighting is continuing elsewhere along the border. Yesterday, the US defense attache in North Yemen drove to within 60 kilometers of Qatabah but saw few signs of military activity. [REDACTED]

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South Yemen's Foreign Minister Yafai, who was in Saudi Arabia over the weekend, returned there last night, an indication that the Saudis may be attempting to mediate the dispute. [REDACTED]

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# USSR-NORWAY: Defense Ministry Talks

*Norwegian Deputy Secretary of Defense Holst has told the US Embassy in Oslo that Soviet officials used his recent visit to Moscow to complain again--in a restrained manner--about Norway's role in NATO and to stress the virtue of neutralism for Norway. Holst strongly defended his country's security policy. Soviet-Norwegian relations have been settling down following over a year of strain, and both parties used the visit to improve the atmosphere.*

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[REDACTED]

Defense Minister Ustinov--unexpectedly added to the list of Soviet officials to meet with the Norwegian official--told Holst that the Norwegians "could learn something from the Finns, who know how to deal with the Russians," and encouraged Norway to take a positive attitude toward Finnish President Kekkonen's proposal for a Nordic Nuclear Weapons Free Zone. The Soviets also reiterated their longstanding list of specific complaints against Norway's security measures, added a few new ones, and resurrected dormant objections to Norway's close association with the US--all in what Holst describes as a cordial manner.

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As the first political representative of the Norwegian Ministry of Defense to visit the USSR since 1967, Holst said he defended Norway's heightened NATO activity as a needed adjustment to the Soviet buildup on the Kola Peninsula. He reassured the Soviets that Norway's self-imposed prohibitions on foreign bases and nuclear weapons have not been changed by new arrangements for prestockage of NATO equipment and brushed aside Soviet comparisons of the stable Soviet defense budget with NATO defense budget increases.

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Although Norway wants to be seen as a good NATO member, it also is aware of the need to have fairly smooth relations with the USSR. Norway's efforts to develop fishing and other economic interests in the northern continental waters will continue to require extensive negotiation with the Soviets.

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## UK: Defense Budget

//Britain's annual White Paper on defense, issued last Friday, confirms a real increase of 3 percent in the defense budget for the coming fiscal year and a further increase of 3 percent in the next year. About one-third of the budget will be allocated to the purchase of new weapons, including additional Tornado multiple-role aircraft, a third nuclear-powered attack submarine of the Trafalgar class, and several antisubmarine-warfare ships. One-sixth of the budget is earmarked for weapons research, mainly on a new aircraft to replace the Jaguar and Harrier and a replacement for the Chieftain main battle tank. In a speech in London last weekend, NATO Secretary General Luns criticized the British for failing to provide for upgrading Britain's four Polaris submarines--the only non-US strategic forces assigned to NATO--which are due for retirement in the 1990s.//

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## CHINA-CANADA: Grain Deal

//China has agreed to purchase between 8.4 million and 10.5 million tons of wheat from Canada over the next three years, with shipments to begin next August. Chinese purchases of Canadian grain averaged 2.5 million tons between 1971 and 1978, and exceeded 3 million tons in each of the last two years. China previously negotiated three-year (1979-81) agreements with Argentina for the purchase of 800,000 tons of grain annually, and with Australia for 2.5 million tons of wheat per year. The Chinese also told US officials that they would buy 5 million to 6 million tons annually from the US. Altogether, China is expected to import 10 million to 13 million tons of grain in each of the next few years.//

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## TURKEY: A Look Ahead

Turkey's deepening economic and internal security problems are growing threats to Prime Minister Ecevit's left-of-center government--and, ultimately, to Turkish democracy. The government's cohesiveness has been weakened, its elan has faltered, and its popularity is sagging. Ecevit's two-seat majority in Parliament will probably see him through the budget vote this week that is tantamount to a vote of confidence, but other hurdles lie immediately ahead both in and out of Parliament. As the levels of unemployment and inflation continue to rise and political violence shows no signs of abating, rifts in the ruling party are likely to widen, emboldening the opposition to step up efforts to bring down the government. Ecevit could fall as a result of the senatorial election scheduled for October, if not before. The collapse of his government might lead the watchful military establishment to increase its political role in the government.

Ecevit passed his most recent test of strength Sunday when Parliament voted to approve the government's proposal to extend martial law another two months. The crucial vote on the budget must be held before Thursday.

//Although Ecevit commands a slim majority in Parliament, strains created by Turkey's worsening problems make it impossible for him to take any vote for granted. The Ministers of Interior and Defense resigned last month, the Ministers of Justice and Finance have offered to do so, and other cabinet changes are likely after the budget vote. Discontent has also percolated down to lower levels of Ecevit's Republican People's Party, where the temporary defection of one deputy last month almost caused the government to fall on an opposition censure motion. The party's left wing continues to grumble about martial law, some party centrists are discussing the possibility of a governing coalition with opposition deputies, and at least 20 deputies have balked at Ecevit's tax package, which is likely to come up in Parliament after the budget vote.//

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Sensing the government's vulnerability, the opposition is moving on all fronts to bring it down. Justice Party leader Demirel is leading the assault with a highly partisan barrage against nearly all facets of Ecevit's policies. The Justice Party voted against martial law, and the budget debate is likely to be fierce. [ ]

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Demirel recently rebuffed President Koruturk's attempt to secure major party cooperation to deal with the country's problems. His main objective in opposing Ecevit at this time probably is to establish a record on which to run in the next election, though, of course, he may also hope to secure enough defections from the government to form another Justice-led coalition. [ ]

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#### Political Violence Persists

The political struggles in Turkey are being played against a backdrop of violence that has cost nearly 1,000 lives during Ecevit's 13 months in office. The Prime Minister knew two months ago when he imposed martial law in 13 of Turkey's 67 provinces that he was taking a serious risk if the move failed to curb violence. It is now clear that Ecevit's benign form of martial law is not working well. [ ]

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The level of violence subsided briefly after martial law was imposed, but it is now approaching the pre-martial law ratio of nearly 100 deaths per month. Mass unrest is continuing in the more volatile eastern provinces where ideological differences are exacerbated by ethnic and sectarian rivalries, although so far not on the scale of the rioting that brought on martial law in late December. [ ]

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Ecevit apparently had the support of his party's truculent left wing in the vote extending martial law two months. The major surge of political violence has been in areas not under martial law, however, and pressure is likely to build to extend martial law geographically as well. [ ]

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The recent assassinations of Turkey's foremost journalist and a former high police official, as well as the attempted killing of a retired general imply that

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extremists are now aiming for the Turkish elite. This prospect--far more than the hundreds of deaths in the streets--has brought calls from military, political, and religious leaders for stronger measures and has made some of them more willing to consider alternatives to Ecevit.

#### Economic Problems Worsen

The economy is continuing its downward slide: the annual inflation rate now exceeds 50 percent, unemployment is approaching 20 percent of the labor force, foreign currency reserves have almost disappeared, and industrial production is less than 50 percent of capacity because of the lack of raw material imports. Fearing the political and social consequences, the government has so far been unwilling to take the additional austerity measures needed to free the third tranche of an International Monetary Fund loan that would encourage private institutions to provide additional debt rescheduling and credits.

The upheaval in Iran and the ensuing wave of Western concern about Turkey at first encouraged Turkish leaders to think that the country's potential donors might give higher priority to political than to economic criteria. That hope has waned, however, as Turkey's would-be benefactors have made it clear that agreement with the IMF and a comprehensive economic stabilization program would be essential prerequisites for most types of short- and medium-term assistance.

Although Ecevit has steadfastly argued that credits must precede rather than follow additional austerity measures, he recently indicated he could accept a package in which they would be taken simultaneously. But to take such measures--and sustain them--will involve political risks for Ecevit, and Turkey's record in following through on such promises is not reassuring.

#### Military Restrained

//So far, the military has shown considerable restraint both in carrying out its duties under martial law and in its relations with civilian leaders. It is chafing under the tight control Ecevit maintains over martial law, however, and some officers are complaining about having

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their hands tied in dealing with extremists. Also, some officers seem to be becoming more assertive and less concerned about the government's political imperatives. Military calls for tougher measures are likely to increase, thereby setting the stage for friction with political leaders. Worsening domestic conditions may ultimately lead the military to intervene in politics more obtrusively, either to bring down the Ecevit government or to select its successor if it falls or resigns.// [ ]

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### Outlook

Ecevit's decisions to postpone his effort to push through his tax reform package and to refrain from seeking a geographical extension of martial law when he called for a two-month extension probably ensure that he will carry his party with him on the budget issue this week. His bare majority and the backstage maneuvering by some government as well as the opposition deputies, however, preclude safe predictions. [ ]

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Additional austerity measures needed to keep the economy afloat will again test the government's cohesiveness and the tolerance of the public. If more members of the Turkish elite become victims of political violence, pressures will build on the government to clamp down harder, and Ecevit will face an unpalatable choice: if he yields to the pressure, his party's left wing might bolt; if he does not, the military might take matters into its own hands. [ ]

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Ecevit may try to hold on until the scheduled senatorial election in October. A victory by his party then, or at least the avoidance of defeat, would give the government a new lease on life. Such a result, however, would depend on improved economic prospects and a tolerable level of political violence, neither of which seems likely. [ ]

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The involvement of the military leadership in selecting a successor could, in the short term, produce a government more able and willing to cope with Turkey's problems. But this would compromise the democratic process and, in the longer term, might simply aggravate tensions within and among political, social, and economic groups when the military withdraws from politics. [ ]

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